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RURAL FINANCIAL INCLUSION IN INDIA: AN EMPIRICAL ANALYSIS OF REGIONAL RURAL BANKS, SELF HELP GROUP BANK LINKAGE AND AGRICULTURAL CREDIT

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ABSTRACT

Rural financial inclusion in India has been pursued through institutional banking, community-based savings and credit arrangements, and directed agricultural lending. This paper examines three measurable dimensions of that process: the financial performance of Regional Rural Banks (RRBs), the expansion of the Self-Help Group-Bank Linkage Programme (SHG-BLP), and the flow of institutional agricultural credit. The study uses secondary data published by the Reserve Bank of India (RBI), the National Bank for Agriculture and Rural Development (NABARD), the Department of Financial Services and the Government of India. The principal period is 2014-15 to 2024-25, with shorter periods used where the official series are not fully comparable. Analytical techniques include annual growth rates, compound annual growth rates, credit–deposit ratios, target-achievement ratios and regional comparisons. The results show that RRB deposits increased from ₹6.09 lakh crore in 2022-23 to ₹7.14 lakh crore in 2024-25, while outstanding advances rose from ₹4.11 lakh crore to ₹5.24 lakh crore. Over the decade, savings-linked SHGs increased from 76.97 lakh to 143.30 lakh and their bank savings rose from ₹11,059.86 crore to ₹71,433.27 crore. Agricultural credit disbursement increased from ₹8.45 lakh crore in 2014-15 to ₹28.67 lakh crore in 2024-25. The findings nevertheless reveal uneven regional distribution, a recent moderation in SHG loan disbursement, and the need to distinguish aggregate credit flow from the actual distribution of credit among different farmer categories. The paper concludes that rural financial inclusion should be assessed through institutional soundness, credit depth, regional equity and beneficiary-level access rather than aggregate expansion alone.

KEYWORDS: *Rural Financial Inclusion; Regional Rural Banks; SHG-Bank Linkage Programme; agricultural credit; NABARD; institutional finance.*

1. INTRODUCTION

Access to formal finance is an important condition for the development of rural economies because agricultural production, allied activities and rural enterprises require working capital, investment finance and mechanisms for managing income fluctuations. In rural areas, the availability of finance is shaped not only by the presence of bank branches but also by the suitability of loan products, transaction costs, documentation requirements, repayment schedules and the capacity of institutions to serve borrowers whose incomes are seasonal or uncertain. The expansion of formal financial institutions therefore represents only one dimension of inclusion; the effective use of those institutions and the quality of credit relationships are equally important. India's rural credit architecture has developed through several institutional channels. Commercial banks expanded their rural operations following bank nationalisation and priority-sector lending arrangements. Regional Rural Banks were introduced in 1975 to combine the local knowledge and rural orientation of cooperative institutions with the organisational capacity of commercial banks. Cooperative credit institutions continued to serve agricultural households, while NABARD became a central institution for refinance, development support and rural credit planning. Alongside these formal banking arrangements, the SHG–Bank Linkage Programme created a group-based mechanism through which low-income households, particularly women, could mobilise savings and obtain bank credit.

The three institutional channels considered in this paper perform related but distinct functions. RRBs mobilise deposits and provide loans to rural households, farmers, micro-enterprises and other priority-sector borrowers. SHGs organise members around regular savings, internal lending and collective access to bank finance. Agricultural credit programmes seek to ensure that formal credit reaches crop production and allied activities. Their performance should consequently be assessed through different indicators. For RRBs, deposits, advances, credit–deposit ratio, non-performing assets and capital adequacy provide evidence about intermediation and financial soundness. For SHGs, the number of savings-linked groups, savings balances, loan disbursement and outstanding bank credit reveal outreach and credit deepening. For agricultural finance, annual ground-level credit disbursement and achievement against targets measure the scale of formal lending.

The importance of this assessment is reinforced by the continuing distinction between the expansion of credit and its

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distribution. Aggregate agricultural credit can rise even when access remains uneven across regions, farm sizes or borrower categories. Similarly, a larger number of savings-linked SHGs does not necessarily imply that all groups have received bank loans. The NABARD Status of Microfinance in India 2024–25 reports 143.30 lakh savings-linked SHGs but 84.94 lakh SHGs with bank loans outstanding, indicating a substantial difference between savings linkage and outstanding credit linkage (NABARD, 2025). In the agricultural sector, Government of India data show that the share of agricultural credit going to small and marginal farmers increased to 50% in 2024–25, while these farmers accounted for 72.88% of total agricultural credit accounts. These indicators demonstrate the value of examining not only total lending but also the composition of credit (Government of India, 2026).

Recent institutional performance also warrants closer examination. NABARD's consolidated RRB data show that deposits increased from ₹6,08,509 crore in March 2023 to ₹6,59,815 crore in March 2024, while loans outstanding increased from ₹4,10,738 crore to ₹4,70,109 crore. The credit-deposit ratio improved from 67.5% to 71.2%, and the GNPA ratio declined from 7.3% to 6.1% over the same period (NABARD, 2024). Government-reported figures for 2024-25 show further increases in deposits and advances and a decline in the GNPA ratio to 5.4% (Government of India, 2025). These changes suggest that RRBs have strengthened their intermediation capacity, although profitability and operational efficiency remain relevant considerations.

NABARD reports that the number of savings-linked SHGs increased from 76.97 lakh in March 2015 to 143.30 lakh in March 2025, while savings balances increased more than sixfold. At the same time, annual loan disbursement to SHGs declined marginally in 2024-25 compared with the preceding year, even though the number of groups receiving loans increased. Such a divergence between physical outreach and financial volume is important for understanding whether the programme is moving from expansion towards consolidation and deeper financial engagement (NABARD, 2025).

Agricultural credit has also expanded substantially. The Government of India reports that ground-level agricultural credit disbursement increased from ₹8.45 lakh crore in 2014-15 to ₹28.67 lakh crore in 2024-25. The 2024-25 disbursement represented approximately 104% of the annual target of ₹27.50 lakh crore. The Government also reported that ₹3.62 lakh crore of the 2024-25 total was disbursed for allied agricultural activities, illustrating the growing importance of dairy, fisheries, poultry and other allied sectors (Government of India, 2026). However, aggregate disbursement data do not establish how much credit reached first-time borrowers, tenant farmers or households with limited collateral. The present study adopts a focused empirical approach. It examines three institutional dimensions for which official time-series and cross-sectional data are available. The objective is to identify measurable trends, compare institutional performance and interpret the implications of the observed patterns for rural credit delivery.

2. REVIEW OF LITERATURE

Research on rural financial inclusion in India has developed around three connected themes: the performance of rural banking institutions, the contribution of SHG-based microfinance, and the relationship between institutional agricultural credit and farm-sector outcomes. The literature provides useful empirical foundations, but it also indicates that the measurement of financial inclusion must move beyond aggregate indicators of institutional presence.

2.1 Regional Rural Banks and Institutional Performance

Ahmed (2015) examined the performance of Regional Rural Banks in India and discussed the institutional challenge of balancing rural credit delivery with financial viability. The study noted that RRBs were established to serve borrowers who were inadequately covered by existing cooperative and commercial banking arrangements. It also highlighted constraints associated with small loan sizes, exposure to risk-prone advances, limited diversification and operational efficiency. This work is relevant to the present study because it establishes that the performance of RRBs should be assessed through both their developmental role and financial sustainability.

Zaman, Rasool and Khan (2025) analysed productivity dynamics among Indian RRBs for 2016-2023 using the Malmquist productivity index. Their findings indicate substantial variation in productivity across banks and suggest that productivity change was driven more by technological change than by improvements in technical efficiency. They also report that smaller RRBs performed better than larger counterparts under the approaches applied. Their study extends the discussion beyond conventional balance-sheet indicators and highlights the importance of technology, operational processes and bank-specific characteristics in evaluating RRB performance.

The Economic Survey 2024-25 provides a recent institutional overview of RRB consolidation and performance. It reports that the number of RRBs declined from 133 in 2006 to 43 in 2023 following mergers and restructuring, while the branch network reached 22,069 as of March 2024. It also records an improvement in consolidated net profit, capital adequacy and asset quality during FY2024 (Government of India, 2025). This official assessment supports the use of deposits, advances, profitability, GNPA and CRAR as core indicators in the present analysis.

2.2 SHG-Bank Linkage and Financial Inclusion

Das (2012) examined the SHG-Bank Linkage Model as a mechanism for financial inclusion in India. The study associated SHG participation with improved access to formal credit, particularly for women and low-income households. It emphasised that banking density and financial literacy influence the effectiveness of the programme. This finding suggests that SHG coverage should be considered alongside the institutional conditions that enable groups to access and use formal finance.

Maroof and Sangmi (2015) assessed the socio-economic impact of the SHG-Bank Linkage model in selected districts of Kashmir. Their findings indicated improvements in savings,

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income and several dimensions of social participation, including decision-making, confidence and communication. Although their study is geographically specific, it demonstrates that the effects of SHG finance may extend beyond the amount of credit received and include changes in household-level financial behaviour and social agency.

Sainath and Gnanendra (2018) analysed the performance of the SHG-Bank Linkage Model using indicators such as savings, loan disbursement and outstanding credit. Their study documented the programme's expansion and considered the relationship between non-performing assets and bank lending. This is directly relevant to the present study because it supports the use of a combination of outreach, savings and credit indicators rather than relying on the number of groups alone.

Srikanth and Lagesh (2021) investigated the sustainability of SHG-BLP using primary data from 133 SHGs in Andhra Pradesh, Madhya Pradesh and Odisha. Their composite assessment found that a majority of groups were at a medium level of sustainability, while sustainability differed across the states. The study also reported that Madhya Pradesh groups were associated with relatively lower sustainability levels in comparison with the groups examined in Andhra Pradesh and Odisha. This finding is important for the present paper because it cautions against interpreting national expansion as evidence of uniform group-level performance.

NABARD's Status of Microfinance in India 2024-25 provides the most recent national statistical assessment of SHG-BLP. It documents the number of savings-linked groups, savings balances, annual credit disbursement, outstanding loans and regional distribution. The report also identifies a difference between the share of regions in the number of groups and their share in total savings or credit. This evidence provides the main statistical foundation for the SHG section of the present study.

2.3 Agricultural Credit and Rural Development

Shivaswamy et al. (2020) examined institutional credit flows to agriculture in India over the period 1991–92 to 2016–17. Their analysis used compound annual growth rates and panel data methods to study regional variation and the relationship between institutional credit and agricultural productivity. The study found positive growth in real institutional agricultural credit and identified scheduled commercial banks as the dominant source of agricultural credit, while cooperative banks remained important for production credit. It also reported regional differences in credit outreach, with southern states receiving higher production and investment credit per hectare than eastern and north-eastern states.

Das, Senapati and John (2009) analysed the impact of agricultural credit on agricultural production in India. Their work contributes to the empirical literature by considering the relationship between formal credit and agricultural output rather than treating credit expansion as an end in itself. The study underlines the importance of examining whether institutional credit contributes to productive agricultural activity.

Nayak and Barodawala (2021) examined the relationship between institutional credit and agricultural output across Indian states using panel data for 2000-2017. Their results suggested that irrigation and net sown area had significant roles in explaining agricultural production, while the effect of institutional credit was not uniformly strong. The authors cautioned against assuming a direct and automatic relationship between increasing credit disbursement and agricultural output. This is particularly relevant to the present paper, which treats aggregate agricultural credit as a measure of institutional lending rather than a direct proxy for productivity.

Varkey and Manoharan (2022) analysed agricultural credit and productivity across selected Indian states using a fixed-effects panel framework. Their findings indicated that direct agricultural credit had a positive effect on productivity, whereas indirect credit showed a different relationship. The study suggests that the composition and purpose of agricultural lending are important, and that the policy focus should be on strengthening direct access to productive credit.

The literature therefore establishes three important points. First, RRB performance must be evaluated through financial soundness and productivity as well as outreach. Second, SHG-based inclusion depends on savings, credit linkage and group sustainability, with regional variation remaining significant. Third, the developmental effect of agricultural credit depends on its distribution and productive use, not merely its aggregate volume.

3. RESEARCH GAP AND CONTRIBUTION

Existing studies have generally examined RRB performance, SHG-based microfinance and agricultural credit as separate research subjects. RRB studies often focus on profitability, asset quality or productivity; SHG studies examine savings, credit linkage and social outcomes; and agricultural credit studies analyse trends, regional distribution or productivity effects. Fewer studies bring these three institutional channels together within a common empirical framework while maintaining separate measures for their distinct functions.

A second gap concerns the interpretation of aggregate expansion. A rise in deposits, SHG savings or agricultural credit disbursement can indicate institutional growth, but it does not automatically demonstrate improved access for underserved borrowers. The present study addresses this issue by examining both volume and composition indicators: RRB deposits and advances alongside asset quality; SHG savings alongside credit linkage and regional shares; and agricultural credit disbursement alongside target achievement and the reported share of small and marginal farmers.

The contribution of the paper is therefore primarily descriptive and comparative. It assembles recent official data, calculates selected growth and ratio indicators, and interprets the evidence across three rural finance mechanisms.

4. OBJECTIVES AND RESEARCH QUESTIONS

The study is guided by four objectives:

1. To examine the financial performance of Regional Rural Banks in terms of deposits, advances, profitability, asset quality and capital adequacy.

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2. To analyse the growth and financial performance of the SHG-Bank Linkage Programme with reference to savings, credit disbursement, outstanding loans and regional distribution.
3. To evaluate the growth of institutional agricultural credit in India through annual disbursement and target-achievement analysis.
4. To compare the contribution and limitations of these institutional mechanisms in expanding rural financial inclusion.

The corresponding research questions are: (i) how have the financial position and asset quality of RRBs changed in recent years; (ii) has the expansion of SHG savings been accompanied by comparable growth in credit linkage; (iii) how rapidly has institutional agricultural credit expanded and how consistently have annual targets been achieved; and (iv) what do the combined trends indicate about the depth and distribution of rural financial inclusion?

5. RESEARCH METHODOLOGY

5.1 Research Design and Period

The study adopts a descriptive and analytical design based on secondary data. The broad reference period is 2014-15 to 2024-25. The agricultural credit series covers the full eleven-year period. The SHG analysis uses a ten-year comparison for the long-term change and a detailed three-year comparison for 2022-23 to 2024-25.

5.2 Sources and Data Selection

The principal sources are NABARD's Annual Report 2023-24 and Status of Microfinance in India 2024-25; RBI's Report on Trend and Progress of Banking in India; and official statements of the Department of Financial Services and the Press Information Bureau. Where the latest government statement provides updated RRB values, those figures are used and identified as government-reported data. The study uses published values and does not generate synthetic observations.

5.3 Variables and Measures

Study Component	Core Indicators	Analytical Purpose
RRBs	Deposits; loans outstanding; CD ratio; GNPA; NNPA; CRAR; net profit	Intermediation, asset quality and financial soundness
SHG–BLP	Savings-linked groups; savings; groups receiving loans; annual disbursement; outstanding credit; regional shares	Outreach, savings mobilisation, credit linkage and spatial distribution
Agricultural credit	Annual target; actual ground-level credit disbursement; achievement ratio; small and marginal farmer share	Growth in institutional credit and target performance

5.4 Statistical Techniques

Annual growth rate, CAGR, the credit-deposit ratio and agricultural credit target achievement, etc has been calculated and used in this study.

6. EMPIRICAL ANALYSIS OF REGIONAL RURAL BANKS

6.1 Growth in Deposits and Outstanding Advances

RRBs perform a dual function: they mobilise deposits from rural and semi-urban communities and deploy funds through lending to agriculture, micro-enterprises and other priority sectors. The consolidated figures show a sustained increase in both sides of the balance sheet. Deposits rose from ₹6,08,509 crore in March 2023 to ₹6,59,815 crore in March 2024 and ₹7,13,800 crore in March 2025. Outstanding loans increased from ₹4,10,738 crore to ₹4,71,384 crore and ₹5,24,163 crore over the same dates.

Table 1. Consolidated Financial Position of Regional Rural Banks

Indicator (₹ crore)	March 2023	March 2024	March 2025
Deposits	6,08,509	6,59,815	7,13,800
Loans outstanding	4,10,738	4,71,384	5,24,163
Credit-deposit ratio (%)	67.5	71.4	73.4
Net profit	4,974	7,571	6,820
CRAR (%)	13.4	14.2	14.4
GNPA (%)	7.3	6.1	5.4
NNPA (%)	3.2	2.4	2.0

Source: NABARD Annual Report 2023-24; Government of India, Ministry of Finance, official RRB performance statement for FY2024-25.

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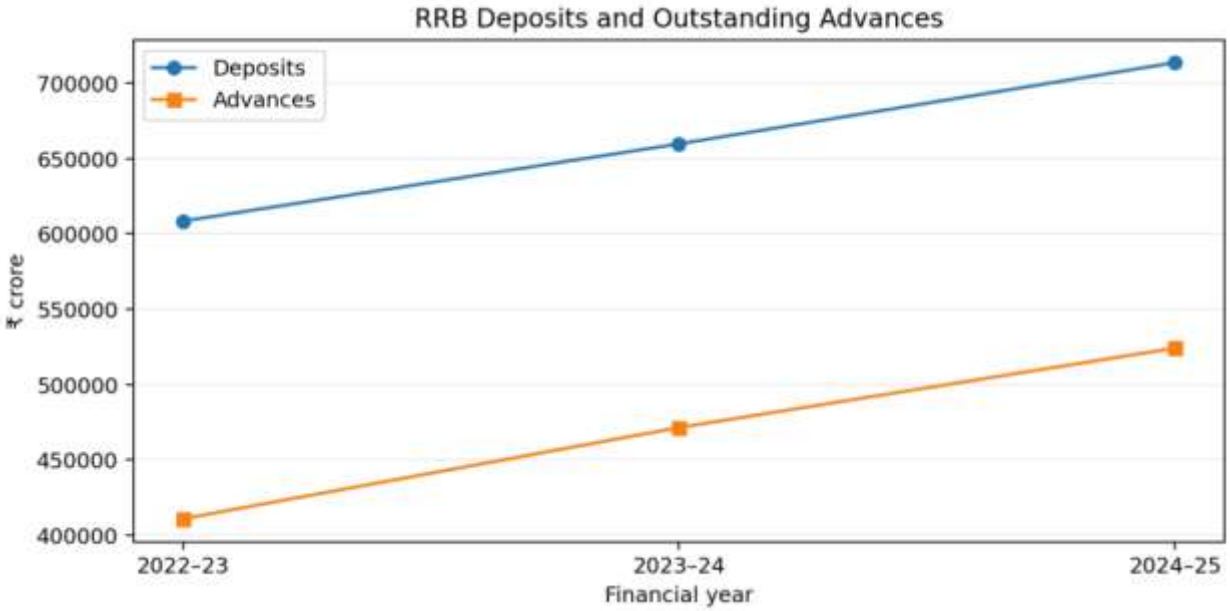


Figure 1. RRB Deposits and Outstanding Advances, 2022-23 to 2024-25.

Source: NABARD (2024); Government of India (2025). Values in ₹ crore.

Between March 2024 and March 2025, deposits increased by approximately 8.18%, while outstanding advances rose by approximately 11.20%. The faster growth of advances raised the credit-deposit ratio from 71.4% to 73.4%. This indicates stronger deployment of mobilised resources into lending.

6.2 Asset Quality and Capital Adequacy

The GNPA ratio declined from 7.3% in March 2023 to 6.1% in March 2024 and 5.4% in March 2025. NNPA declined from 3.2% to 2.4% and then to 2.0%. The simultaneous decline in gross and net NPA ratios indicates improvement in the reported quality of RRB loan portfolios. The reduction in NNPA is particularly relevant because it reflects the residual level of impaired assets after provisions.

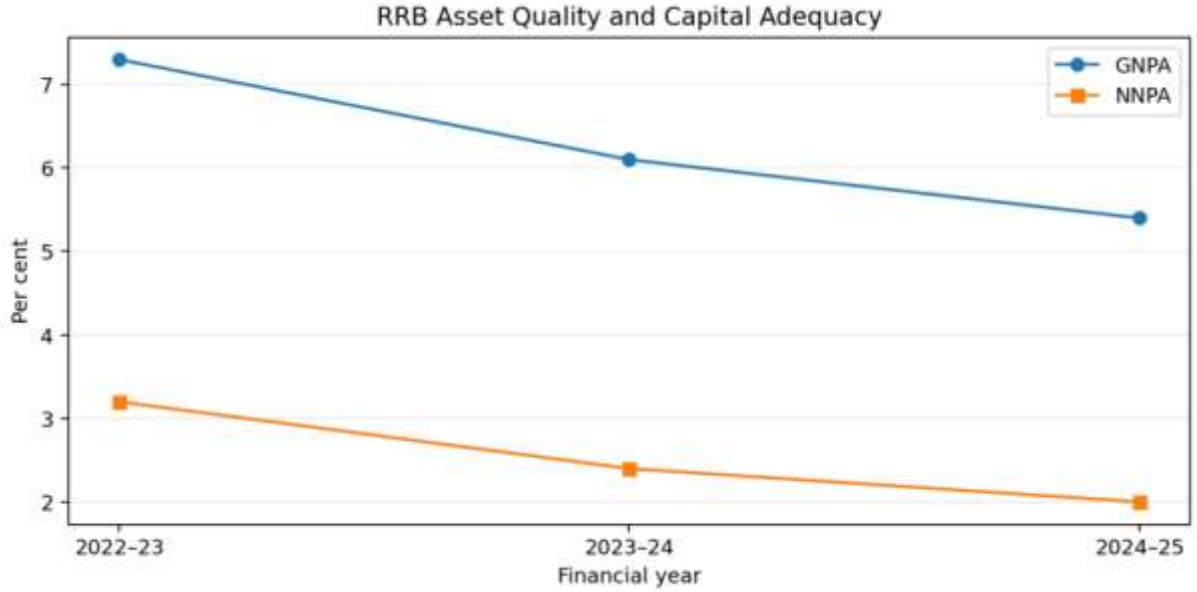


Figure 2. GNPA and NNPA Ratios of RRBs, 2022-23 to 2024-25.

Source: NABARD (2024); Government of India (2025).

Capital adequacy improved from 13.4% in March 2023 to 14.2% in March 2024 and 14.4% in March 2025. This is above the 9% minimum CRAR cited in the official RRB performance framework. Improved capital adequacy provides a stronger buffer against unexpected losses and can support prudent credit growth. Nevertheless, a national consolidated ratio can conceal variation

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among individual RRBs; bank-level distribution would be required to identify institutions with comparatively weaker capital positions.

6.3 Profitability and Operational Considerations

RRB net profit increased from ₹4,974 crore in FY2022–23 to ₹7,571 crore in FY2023-24, before declining to ₹6,820 crore in FY2024-25. The fall in the latest year occurred alongside continued growth in deposits and advances. This suggests that profitability does not move mechanically with balance-sheet expansion. Interest margins, operating expenditure, provisions, recovery performance and the composition of advances may affect the final result. A complete efficiency assessment would require bank-level information on cost-to-income ratios, return on assets, return on equity and branch productivity.

6.4 Priority-Sector Lending Profile

NABARD's Annual Report 2023-24 reported that RRBs achieved 88.6% of adjusted net bank credit in overall priority-sector lending against a target of 75% in FY2024. Agriculture accounted for 34.2% against a target of 18%, while lending to small and marginal farmers accounted for 19.0% against a target of 10%. These figures indicate that RRBs were strongly oriented towards priority-sector and agricultural lending. The achievement ratios are based on the regulatory measure of adjusted net bank credit and should not be confused with the share of total balance-sheet assets.

Overall, the RRB evidence indicates an improvement in financial intermediation, asset quality and capital adequacy. The key issue is to preserve this improvement while ensuring that stronger financial performance translates into timely and appropriately structured credit for rural borrowers.

7. EMPIRICAL ANALYSIS OF THE SHG–BANK LINKAGE PROGRAMME

7.1 Long-Term Expansion of Savings Linkage

The SHG–Bank Linkage Programme has expanded both in outreach and in the volume of savings held with banks. NABARD reports that savings-linked SHGs increased from 76.97 lakh in March 2015 to 143.30 lakh in March 2025. Savings balances increased from ₹11,059.86 crore to ₹71,433.27 crore. Over the ten-year interval, the number of groups increased by approximately 86.2%, while savings balances increased by approximately 545.9%. The corresponding calculated CAGR was about 6.4% for the number of SHGs and 20.5% for savings balances.

Table 2. Long-Term Growth of Savings-Linked SHGs

Indicator	March 2015	March 2025	Change
Savings-linked SHGs (lakh)	76.97	143.30	+86.2%
Savings with banks (₹ crore)	11,059.86	71,433.27	+545.9%
Calculated CAGR	—	—	6.4% groups; 20.5% savings

Source: NABARD, Status of Microfinance in India 2024-25. Growth and CAGR calculated from reported values.

The difference between the growth rates is analytically important. Savings mobilisation increased much faster than the number of groups, indicating that the average savings balance per group also rose over time. This is consistent with deeper financial accumulation among groups, although the savings balance recorded by banks is not identical to the total internal corpus available to members.

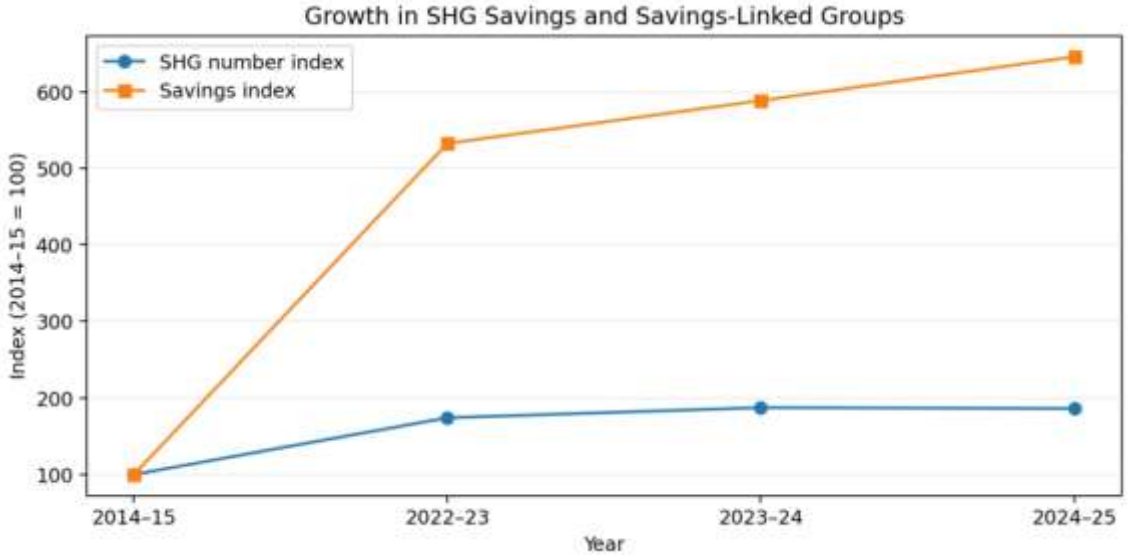


Figure 3. Indexed Growth in SHG Numbers and Savings (2014-15 = 100).

Source: NABARD (2025). Indices calculated by the researcher; the two series are indexed separately to compare growth.

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7.2 Recent Savings and Credit Performance

Table 3. SHG-Bank Linkage Programme: Recent National Performance

Indicator	2022-23	2023-24	2024-25
Savings-linked SHGs (lakh)	134.03	144.22	143.30
Savings amount (₹ crore)	58,892.68	65,089.15	71,433.27
SHGs receiving loans during year (lakh)	42.96	54.82	55.57
Annual loan disbursement (₹ crore)	1,45,200.23	2,09,285.87	2,08,282.67
SHGs with loans outstanding (lakh)	69.57	77.42	84.94
Outstanding bank credit (₹ crore)	1,88,078.80	2,59,663.73	3,04,258.74

Source: NABARD, Status of Microfinance in India 2024-25.

Savings increased by 9.75% in 2024-25, reaching ₹71,433.27 crore. The number of savings-linked SHGs declined marginally by 0.64%, which NABARD attributes mainly to the sanitisation of bank accounts. This distinction is important: a small decline in the number of recorded groups does not necessarily mean that active group participation contracted by the same amount.

The number of SHGs receiving loans during the year increased from 54.82 lakh to 55.57 lakh, a growth of 1.37%. However, annual loan disbursement declined by 0.48%, from ₹2,09,285.87 crore to ₹2,08,282.67 crore. Thus, the number of groups receiving loans increased while the aggregate amount disbursed edged down. The average loan disbursed per group consequently declined from approximately ₹3.82 lakh to ₹3.75 lakh. This suggests that the latest year was characterised by modest growth in the number of borrowing groups but a slight moderation in average loan size.

Outstanding credit moved in the opposite direction: the number of SHGs with loans outstanding increased by 9.71%, and the outstanding amount increased by 17.17% to ₹3,04,258.74 crore. Outstanding balances are a stock measure, whereas annual disbursement is a flow measure. Their different movements are therefore not contradictory; they indicate that the stock of credit at year-end expanded even though the amount of new lending during the year was marginally lower.

7.3 Women's Participation and Credit Linkage Gap

Women remain central to the SHG-BLP model. In March 2025, exclusive women SHGs accounted for 86.08% of all savings-linked groups. Of the SHGs that received loans during FY2024-25, 97.89% were exclusive women groups. Women's SHGs received ₹2,03,739.39 crore in annual loan disbursement, representing approximately 97.8% of total disbursement. These figures demonstrate the programme's strong gender orientation, although they do not directly measure women's control over loan utilisation or the distribution of income generated from financed activities.

A useful measure of the difference between savings outreach and outstanding credit linkage is the ratio of SHGs with loans outstanding to savings-linked SHGs. NABARD reports that 84.94 lakh out of 143.30 lakh savings-linked SHGs had loans outstanding at the end of March 2025, equivalent to 59.28%. The remaining groups may not necessarily be excluded from all credit, since the measure captures outstanding bank loans on a particular date rather than all previous borrowing. Nevertheless, the ratio highlights that savings linkage and active outstanding credit linkage are not identical.

7.4 Regional Distribution of SHG Savings

Table 4. Region-Wise SHG Savings, March 2025

Region	SHGs (lakh)	Savings (₹ crore)	Share of savings (%)
Northern	9.39	1,751.95	2.46
North-Eastern	9.24	2,391.31	3.36
Eastern	40.70	23,075.93	32.30
Central	20.37	6,722.11	9.41
Western	20.78	4,959.60	6.94
Southern	42.82	32,532.37	45.54
All India	143.30	71,433.27	100.00

Source: NABARD, Status of Microfinance in India 2024-25. Shares calculated from rep orted regional totals.

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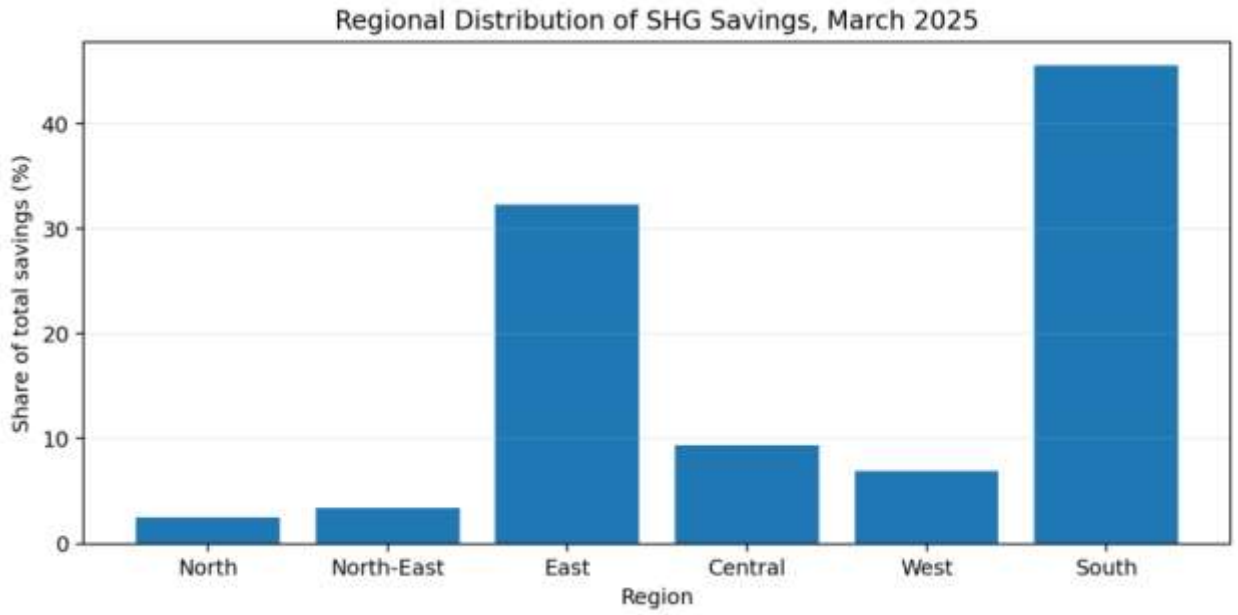


Figure 4. Regional Share in Total SHG Savings, March 2025.

Source: NABARD (2025).

The Southern region accounted for 45.54% of total SHG savings, followed by the Eastern region at 32.30%. Together, these two regions accounted for approximately 77.84% of national SHG savings. Their combined share in the number of savings-linked groups was lower, at approximately 58.28%. This difference indicates that the average savings balance per group is substantially higher in the Southern region and that the value of savings is more concentrated than the number of groups.

The average savings per SHG in March 2025 was ₹75,978 in the Southern region, compared with ₹18,656 in the Northern region. The national average was ₹49,849. This variation suggests that regional differences are not only about the number of groups formed but also about the depth of savings accumulation. The data do not by themselves explain the causes of these differences; institutional support, group maturity, livelihood opportunities, state-level implementation and banking practices may all contribute.

7.5 Regional Distribution of SHG Credit Disbursement

NABARD's regional credit data show that the Southern region accounted for 55.36% of the amount of SHG loans disbursed in 2024-25, while the Eastern region accounted for 29.55%. In terms of the number of groups receiving loans, however, the Eastern region had the largest share at 44.25%, followed by the Southern region at 35.85%. The difference between the shares of group numbers and loan amounts indicates a variation in average loan size across regions.

The average loan disbursed per SHG was ₹5.79 lakh in the Southern region, compared with ₹2.50 lakh in the Eastern region and ₹2.06 lakh in the Central region. The national average was ₹3.75 lakh. These differences point to uneven credit depth: a region may have a large number of credit-linked groups but a lower average loan amount. Such a pattern reinforces the need to evaluate both the number of groups served and the volume of finance provided.

The SHG evidence therefore points to strong long-term expansion but also to uneven regional depth. The next stage of programme assessment should focus on the regularity of credit renewal, loan adequacy, enterprise outcomes and the sustainability of groups rather than on group formation alone.

8. EMPIRICAL ANALYSIS OF AGRICULTURAL CREDIT

8.1 Long-Term Trend in Ground-Level Agricultural Credit

Ground-level agricultural credit (GLC) is an important indicator of the flow of institutional finance to agriculture and allied activities. The Government of India publishes annual targets and achievements to monitor credit delivery. The series shows that disbursement increased from ₹8,45,328 crore in 2014-15 to ₹28,66,879 crore in 2024-25. The total amount therefore increased more than threefold over the decade.

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Table 5. Agricultural Credit Target and Achievement, 2014-15 to 2024-25

Year	Target (₹ crore)	Achievement (₹ crore)	Achievement (%)
2014-15	800,000	845,328	105.7
2015-16	850,000	915,510	107.7
2016-17	900,000	1,065,756	118.4
2017-18	1,000,000	1,162,617	116.3
2018-19	1,100,000	1,256,830	114.3
2019-20	1,350,000	1,392,729	103.2
2020-21	1,500,000	1,575,398	105.0
2021-22	1,650,000	1,863,363	112.9
2022-23	1,850,000	2,155,163	116.5
2023-24	2,000,000	2,548,634	127.4
2024-25	2,750,000	2,866,879	104.3

Source: Government of India, Ministry of Finance, official agricultural credit flow statement; PIB (2026) for FY2024-25.

The calculated CAGR of agricultural credit disbursement between 2014-15 and 2024-25 is approximately 12.99%. The annual series shows a sustained upward trajectory, with the largest absolute increase occurring in the later years as the nominal scale of the credit programme expanded. The increase from ₹21,55,163 crore in 2022-23 to ₹25,48,634 crore in 2023-24 was followed by a further increase to ₹28,66,879 crore in 2024-25.

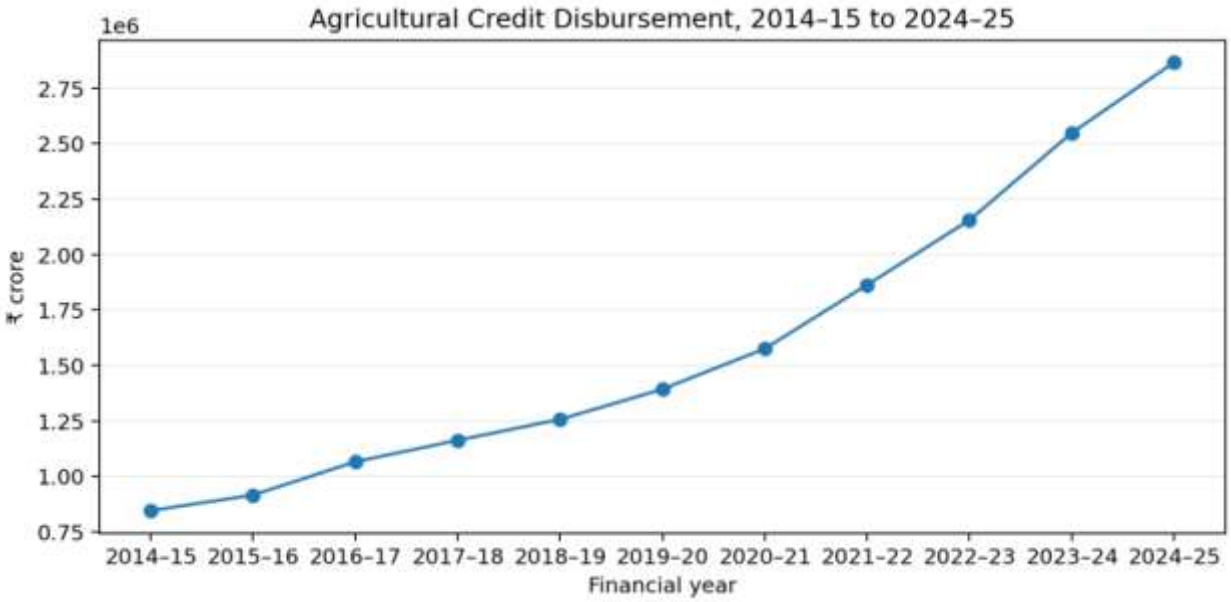


Figure 5. Ground-Level Agricultural Credit Disbursement, 2014-15 to 2024-25.

Source: Government of India, Ministry of Finance; PIB (2026). Values in ₹ crore

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8.2 Target Achievement Analysis

The target-achievement ratio provides a second perspective on agricultural credit delivery. The actual disbursement exceeded the annual target in each year from 2014-15 to 2024-25. Achievement was 106% in 2014-15, increased to 118% in 2016-17, and remained above 100% in the years thereafter. In 2023-24, actual disbursement of ₹25,48,634 crore was approximately 127.4% of the ₹20 lakh crore target. In 2024-25, disbursement of ₹28,66,879 crore was approximately 104.2% of the ₹27.50 lakh crore target.

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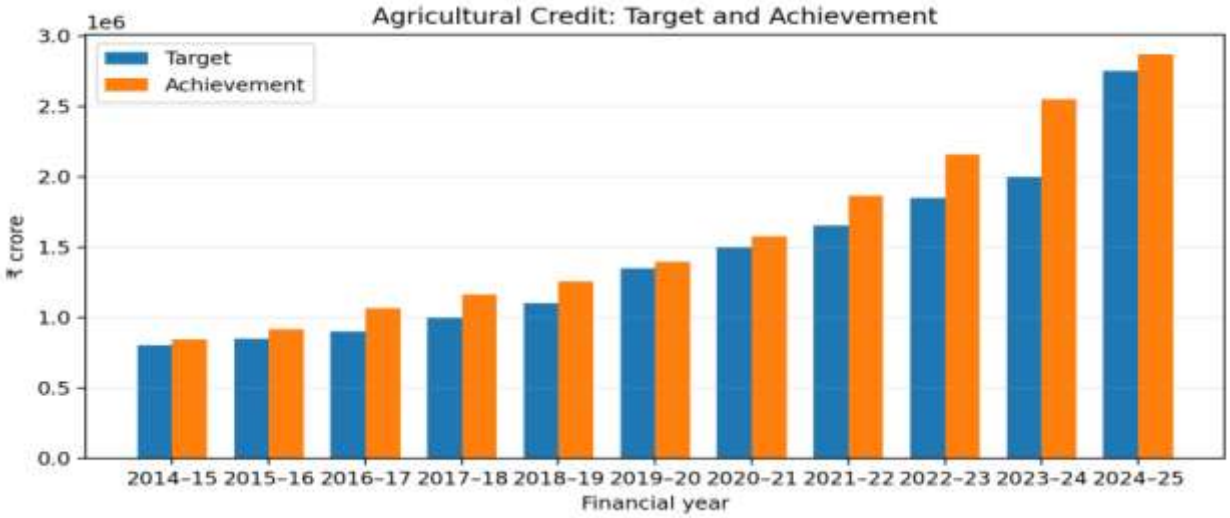


Figure 6. Agricultural Credit Target and Achievement, 2014–15 to 2024–25.
Source: Government of India, Ministry of Finance; calculations by the researcher.

The lower achievement percentage in 2024-25 should not be interpreted as a decline in credit delivery. Actual disbursement increased by approximately 12.5% over 2023-24, while the target increased by 37.5%. The achievement ratio declined because the target was raised substantially faster than actual disbursement. This illustrates why target achievement should always be interpreted alongside the absolute amount and annual growth rate.

8.3 Credit to Small and Marginal Farmers and Allied Activities

The composition of agricultural credit is important for evaluating inclusion. The Government of India reported that the share of agricultural credit going to small and marginal farmers increased from 44.1% in FY2013-14 to 50% in FY2024-25. Small and marginal farmers accounted for 72.88% of total agricultural credit accounts in FY2024-25. The difference between their share in credit amount and their share in accounts suggests that their average credit amount per account may be lower than that of other borrower categories. This comparison should be interpreted cautiously because the published aggregate does not provide a complete borrower-level distribution of loan size, repeat borrowing or farm tenure.

The allied activities component is also significant. Of the total agricultural credit disbursement of ₹28.67 lakh crore in 2024-25, ₹3.62 lakh crore was reported for allied activities. The inclusion of dairy, poultry, fisheries, sheep and goat rearing, piggery and other animal husbandry activities broadens the scope of agricultural finance beyond crop loans. Such diversification is relevant for rural households seeking to reduce dependence on seasonal crop income.

Kisan Credit Card (KCC) remains a major channel for short-term agricultural credit. Official statements have reported a large number of operative KCC accounts and substantial outstanding balances. However, account counts should not be equated automatically with unique farmers, and sanctioned limits should be distinguished from actual disbursement and outstanding debt. Future research would benefit from state- and farm-size-level data on active KCC accounts, average loan size and the share of tenant and women farmers.

8.4 Interpretation of Agricultural Credit Trends

The agricultural credit series demonstrates a substantial increase in the volume of institutional lending, but it does not provide direct evidence of a corresponding increase in agricultural productivity or farm income. Shivaswamy et al. (2020) found a positive relationship between institutional credit and agricultural productivity in their panel analysis, while Nayak and Barodawala (2021) cautioned that the relationship between credit and output is influenced by other production factors, including irrigation and cultivated area. Varkey and Manoharan (2022) further emphasised the importance of distinguishing direct and indirect agricultural credit. These findings support a cautious interpretation of the present trend data: the expansion of credit is an important enabling condition, but its developmental effect depends on borrower access, purpose, timing and utilisation.

9. COMPARATIVE DISCUSSION

The three institutional channels examined in this paper show substantial expansion, but the meaning of that expansion differs across the indicators. RRB deposits and advances measure the balance-sheet scale of rural banking institutions. SHG savings and outstanding loans measure the financial position of group-based intermediaries and their members. Agricultural credit disbursement measures an annual flow of institutional lending to the agricultural sector. These values should not be added together because the categories overlap: RRBs can lend to agriculture and SHGs, and agricultural credit may be extended by several types of banks.

The RRB results show improvement in the capacity to mobilise deposits and deploy advances. The rise in the credit-deposit ratio suggests greater credit utilisation, while lower GNPA and NNPA ratios and higher CRAR indicate an improved reported

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financial position. Yet the fall in net profit in FY2024-25 shows that stronger balance-sheet growth does not guarantee a continuous rise in earnings. This is consistent with the literature on RRB productivity, which highlights the role of technology and operational efficiency (Zaman et al., 2025).

The SHG results show that savings mobilisation has grown much faster than the number of groups over the decade. However, the 2024-25 data reveal a small decline in savings-linked groups and annual credit disbursement, even as the number of groups with loans outstanding and the outstanding credit stock increased. This indicates that programme outreach, annual lending and outstanding credit are distinct dimensions. Regional concentration is also significant: the Southern and Eastern regions account for a disproportionate share of savings and loan value.

Agricultural credit has expanded at an annual compound rate of approximately 13% over the ten-year period. Target achievement remained above 100%, although the ratio declined in 2024-25 because the annual target was raised sharply. The reported increase in the share of credit to small and marginal farmers is encouraging, but the gap between their share in accounts and share in the credit amount indicates that the average loan size remains uneven across borrower categories.

Taken together, the evidence suggests that rural financial inclusion has advanced in terms of institutional capacity, savings mobilisation and credit flow. Nevertheless, the data also point to three continuing analytical concerns: the financial sustainability of rural banking institutions; the uneven depth of SHG credit across regions; and the distinction between aggregate agricultural lending and adequate access for small, marginal and otherwise underserved farmers.

10. POLICY IMPLICATIONS

The findings suggest that policy interventions should focus on the quality and distribution of rural finance rather than solely on increasing aggregate volumes. For RRBs, continued improvement in asset quality and capital adequacy should be accompanied by stronger cost management, technology adoption, risk-based lending and diversification into viable rural enterprise segments. Bank-level monitoring is necessary because consolidated national indicators can conceal weaker institutions.

For SHG-BLP, the regional differences in savings and average credit disbursement support targeted capacity-building in regions where group numbers are not matched by comparable savings or credit depth. Credit linkage should be complemented by bookkeeping support, enterprise development, market access and financial literacy. The sustainability findings reported by Srikanth and Lagesh (2021) suggest that group-level repayment quality and governance are important to long-term programme performance.

For agricultural credit, the increase in total disbursement should be complemented by more detailed monitoring of borrower categories, farm size, tenancy status, gender and regional distribution. Annual reporting should distinguish crop loans from investment credit and allied-activity loans. It should also publish the number of unique borrowers, repeat accounts and average loan size wherever possible. These improvements would make it easier to assess whether credit is reaching underserved farmers and whether the timing and size of loans match agricultural production cycles.

Finally, the three institutional channels should be evaluated through coordinated but non-duplicative reporting. Since RRB lending, SHG credit and agricultural credit can overlap, a consolidated rural finance database should identify the institutional source, borrower category, loan purpose and final beneficiary. Such a system would reduce double counting and improve the assessment of financial inclusion outcomes.

11. LIMITATIONS AND FUTURE RESEARCH

The study is based on secondary aggregate data and does not use household-level survey information. It therefore cannot directly measure changes in farmer income, productivity, consumption smoothing, women's control over financial resources or the quality of customer experience. The annual agricultural credit series is nominal and is not adjusted for inflation. A real-term analysis could provide a more precise measure of changes in the purchasing power of agricultural credit.

12. CONCLUSION

This study examined rural financial inclusion in India through the performance of Regional Rural Banks, the SHG-Bank Linkage Programme and institutional agricultural credit. The empirical evidence indicates substantial growth in RRB deposits and advances, an improvement in reported asset quality and capital adequacy, a significant increase in SHG savings mobilisation, and a more than threefold expansion in agricultural credit disbursement between 2014-15 and 2024-25. The findings also show that aggregate growth should not be treated as a complete measure of inclusion. RRB profitability moderated in the latest year, SHG savings and credit remain regionally concentrated, and the number of SHGs with outstanding loans is lower than the number of savings-linked groups. Agricultural credit disbursement has exceeded annual targets, but the aggregate series does not fully reveal the adequacy of credit for small and marginal farmers or the distribution of lending among different types of agricultural households. The paper concludes that the next stage of rural financial inclusion in India should combine institutional sustainability with more equitable credit distribution and stronger beneficiary-level measurement. A financial system can be considered meaningfully inclusive when rural households and enterprises can access appropriate finance at the right time, use it productively and maintain a sustainable relationship with formal financial institutions.

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